

# **NUINSCO RESOURCES LIMITED**

## **UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**NINE MONTHS ENDED SEPTEMBER 30, 2005**

### **Management's Comments on Unaudited Consolidated Financial Statements**

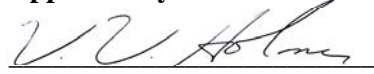
The accompanying unaudited interim consolidated financial statements of Nuinsco Resources Limited for the three month and nine month periods, ended September 30, 2005 have been prepared by management and approved by the Board of Directors of the Company.

**NUINSCO RESOURCES LIMITED**  
**CONSOLIDATED BALANCE SHEETS**

( in thousands of dollars)

	<u>September 30, 2005</u> (unaudited)	<u>December 31, 2004</u> (audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ -	\$ 380
Cash for exploration expenditures	380	618
Accounts receivable	38	41
Current portion of long-term receivable	1,250	1,000
Marketable securities (Note 5)	549	-
Prepaid expenses	131	24
<b>Total Current Assets</b>	<u>2,348</u>	<u>2,063</u>
<b>Long-term Receivable</b>	250	1,000
<b>Exploration and Development Projects (Note 2)</b>	8,257	7,124
<b>Buildings and Equipment</b>	43	50
	<u>\$ 10,898</u>	<u>\$ 10,237</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 465	\$ 583
<b>Convertible Notes</b>	200	200
	<u>665</u>	<u>783</u>
<b>Shareholders' Equity</b>		
Share capital (Note 3)	61,464	59,832
Share purchase warrants	41	81
Contributed surplus (Note 4)	2,086	1,687
Deficit	(53,358)	(52,146)
<b>Net Shareholders' Equity</b>	<u>10,233</u>	<u>9,454</u>
	<u>\$10,898</u>	<u>\$ 10,237</u>
GOING CONCERN (NOTE 1(b))		

Approved by the Board

  
W. Warren Holmes, Director

  
René R. Galipeau, Director

**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

(unaudited - in thousands of dollars, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
<b>Revenue</b>				
Interest income	\$ 2	\$ 1	\$ 4	\$ 18
<b>Costs and Expenses</b>				
General and administrative	195	141	728	533
Depreciation	2	3	7	7
Stock option compensation	333	20	333	873
General exploration	-	28	47	41
Write-down of exploration and development projects	536	514	861	1,072
Recovery from exploration and development project (Note 2)	-	-	(549)	-
	<u>1,066</u>	<u>706</u>	<u>1,427</u>	<u>2,526</u>
<b>Loss before income taxes</b>	<b>1,064</b>	<b>705</b>	<b>1,423</b>	<b>2,508</b>
<b>Income taxes</b> (Note 3)	<b>-</b>	<b>-</b>	<b>(211)</b>	<b>(1,182)</b>
<b>Net loss for period</b>	<b>1,064</b>	<b>705</b>	<b>1,212</b>	<b>1,326</b>
<b>Deficit, beginning of period</b>	<b>52,294</b>	<b>44,061</b>	<b>52,146</b>	<b>43,440</b>
<b>Deficit, end of period</b>	<b>\$ 53,358</b>	<b>44,766</b>	<b>\$ 53,358</b>	<b>\$ 44,766</b>
<b>Loss per share – basic and fully diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ 0.02</b>
<b>Weighted average outstanding common shares</b>	<b>94,979,726</b>	<b>81,242,498</b>	<b>92,474,951</b>	<b>81,236,942</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited - in thousands of dollars)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
Cash from (used by)	2005	2004	2005	2004
<b>Operating activities</b>				
Net loss for the period	\$ 1,064	\$ 705	\$ 1,212	\$ 1,326
Items not affecting cash				
Depreciation	2	3	7	7
Stock option compensation	333	20	333	873
Write-down of exploration and development projects	536	514	861	1,072
Recovery from exploration and development project	-	-	(549)	-
Income taxes	-	-	(211)	(1,191)
Changes in non-cash working capital	(16)	78	(142)	(9)
Cash used by operating activities	(209)	(90)	(913)	(574)
<b>Financing Activities</b>				
Long-term receivable	-	-	500	-
Issue of common shares	-	-	1,855	40
Cash from financing activities	-	-	2,355	40
<b>Investing activities</b>				
Additions to exploration and development projects	(393)	(408)	(2,060)	(2,396)
Other Assets	-	(1)	-	(8)
Cash used by investing activities	(393)	(409)	(2,060)	(2,404)
<b>Net decrease in cash during period</b>	<b>(602)</b>	<b>(499)</b>	<b>(618)</b>	<b>(2,938)</b>
<b>Cash, beginning of period</b>	<b>982</b>	<b>713</b>	<b>998</b>	<b>3,152</b>
<b>Cash, end of period</b>	<b>\$ 380</b>	<b>\$ 214</b>	<b>\$ 380</b>	<b>\$ 214</b>
<b>Cash, end of period</b>				
<b>Cash</b>	\$ -	\$ -	\$ -	\$ -
<b>Cash for exploration expenditures</b>	<b>380</b>	<b>214</b>	<b>380</b>	<b>214</b>
	<b>\$ 380</b>	<b>\$ 214</b>	<b>\$ 380</b>	<b>\$ 214</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005 (unaudited)

### 1. a) General

The interim consolidated financial statements of the Company for the three-month and nine month periods ended September 30, 2005 have been prepared by management using accounting principles generally accepted in Canada for interim financial statements and reflect the same accounting principles set out in the notes to the Company's consolidated financial statements as of December 31, 2004, appearing in the Company's 2004 Annual Report. These interim financial statements should be read in conjunction with those annual financial statements and the notes thereto. The results of operations and cash flow for the current period are not necessarily indicative of the results to be expected for the full year.

### b) Going Concern

These consolidated financial statements have been prepared using accounting principles applicable to a going concern entity, which assume that the entity will continue operating in the future and be able to realize its assets and discharge its liabilities in the normal course of its business. The Company's exploration and development projects are in their early stages and, consequently, the Company, having no operating revenues to sustain its activities, has been wholly dependent on debt and equity financings and the optioning or sale of resource properties for its funds.

Several adverse conditions cast substantial doubt on the validity of the Company's application of the going concern principle. During recent years, the Company has incurred losses. These losses included loss on sale of and write-downs of exploration and development projects. Should the Company not be able to obtain additional financing and should the Company not be able to continue as a going concern, then adjustments would be required with respect to the carrying value of the Company's assets and liabilities, reported net loss, and the balance sheet classifications used. The Company is currently considering additional financings as well as the possible sale of non core assets in order to meet the working capital needs of the Company.

### 2. Exploration and Development Project

Activities and balances for the periods are as follows (thousands of dollars):

	Balance December 31, 2004	Current Expenditures	Recoveries/ Write-downs	Balance September 30, 2005
Lac Rocher	\$ 1,686	\$ 22	\$ -	\$ 1,708
Mel Properties	3,431	381	-	3,812
Cameron Lake	662	93	(250)	505
Minago	434	696	-	1,130
Prairie Lake	325	-	(325)	-
Timmins	417	119	(536)	-
Berta	64	456	-	520
Diabase Peninsula	22	394	-	416
Muriel Lake	80	29	-	109
Other	3	54	-	57
	<u>\$ 7,124</u>	<u>\$ 2,244</u>	<u>\$ (1,111)</u>	<u>\$ 8,257</u>

	Balance December 31, 2003	Current Expenditures	Write-downs	Balance September 30, 2004
Rainy River	\$ 9,358	\$ 234	\$ -	\$ 9,592
Lac Rocher	2,726	37	(1,072)	1,691
Mel Properties	2,059	1,255	-	3,314
Cameron Lake	390	113	-	503
Prairie Lake	309	27	-	336
Other	72	575	-	647
	<u>\$ 14,914</u>	<u>\$ 2,241</u>	<u>\$ (1,072)</u>	<u>\$ 16,083</u>

### Recovery from Exploration and Development Project

During the second quarter, the Company received 2,197,380 restricted common shares of Rainy River Resources Limited as part of the transaction where Nuinsco sold its Rainy River property in December 2004 to a private company. The receipt of the shares was contingent on the private company creating a public company whose shares traded on a Canadian stock exchange. This occurred in the second quarter of 2005 and Nuinsco was granted 7% of the fully diluted capital of Rainy River Resources Limited at a deemed price of \$0.25 each for a total value of \$549,000. The shares are traded under the symbol RR on the TSX Venture Exchange and became fully tradable as of October 24, 2005

In July 2005, the Company closed on the \$250,000 sale of the surface rights on the Rowan Lake Mineral Property which was part of the claims in the Cameron Lake area, but separate and distinct from the claims on which the Cameron Lake mineral resource is located. Nuinsco has retained the mineral rights for the claims.

### 3. Share Capital

a) During the nine-month period ended September 30, 2005 the following common shares were issued:

	<u>Shares</u>	<u>Amount (000`s)</u>
Balance December 31, 2004	86,715,402	\$ 59,832
For cash, flow-through shares – net	6,368,914	1,492
For cash, private placements – net	1,845,410	339
For mineral property	50,000	12
Renunciation of flow-through share value (Note)	-	(211)
Balance September 30, 2005	<u>94,979,726</u>	<u>\$ 61,464</u>

Note: In February 2005, the Company renounced \$618,000 in Canadian Exploration Expenditures to investors of flow-through shares in 2004 (2004 - \$3,489,000 in regard to flow-through shares renounced in 2003). The tax value of this renunciation has been recorded as a liability and charged against share capital. Since the Company has a valuation allowance which reduces the future income tax assets, the valuation allowance has been reduced and an income tax recovery has been recognized in the statement of operations.

In January 2005, the Company completed a private placement of 700,000 shares at \$0.20 per share for gross proceeds of \$140,000. As part of the financing, investors were granted 700,000 half share purchase warrants. Each whole warrant entitles the holder to purchase one share at \$0.30 until January 2007.

As part of the above financing the agents were granted 19,500 compensation warrants (the Compensation Warrants”). On exercise, the holder is entitled to purchase one common share for \$0.20 per share and receive an equivalent number of half warrants. Each whole warrant entitles the holder to purchase one share at \$0.30. The Compensation Warrants and underlying warrants expire in January 2007.

In April 2005, the Company closed the following private placement financings:

- (i) 1,145,410 units for gross proceeds of \$251,990. Each unit consisted of one common share and one share purchase warrant exercisable at \$0.40 each to April 2007.
- (ii) 6,368,914 flow-through units for gross proceeds of \$1,655,917. Each unit consisted of one common share and one flow-through share purchase warrant exercisable at \$0.40 to December 2005.

As part of the above financings the agents were paid cash commission of \$134,000 and received 751,432 compensation warrants. Each compensation warrant may be exercised at \$0.26 to April 2007 and consists of one common share and one common share purchase warrant exercisable at \$0.40 each to April 2007.

In August 2005 3,875,000 options were granted at \$0.20 for a term of five years. The fair value of the 3,875,000 options has been estimated on the date of the grant at \$333,250 using the Black-Scholes option pricing method, using the following weighted average assumptions:

Dividend yield	-
Expected volatility	60.52%
Risk free interest rate	3.5%
Expected option term	3 years

During the period, no options were exercised or expired resulting in 12,175,000 options being outstanding as at September 30, 2005

#### 4. Contributed Surplus

The amounts in contributed surplus consist of the following:

	<u>2005</u>	<u>2004</u>
Contributed surplus	\$ 827	\$ 761
Stock option compensation	<u>1,259</u>	<u>926</u>
	<u>\$ 2,086</u>	<u>\$ 1,687</u>

#### 5. Subsequent Events

On October 31<sup>st</sup>, 2005 the Company announced that it intends to raise up to \$2,500,000 in a private placement offering of flow-through units and common share units. The maximum gross proceeds from the offering of the flow-through units will be \$1,500,000.

The Company has also arranged for the private sale of 1,000,000 of its shares in Rainy River Resources Ltd. at \$0.65 per share. The first 500,000 share sale was completed on November 10<sup>th</sup> and the second 500,000 share sale is expected to close on December 9, 2005.

# NUINSCO RESOURCES LIMITED

## PRESIDENTS REPORT

We are pleased to present our interim report and financial statements for the quarter ended September 30, 2005. The quarter was marked by record high prices for oil, which spurred on a renewed interest in alternative energy sources. Uranium prices continued to rise, with the spot price of  $U_3O_8$  reaching US\$30.00 at the end of the quarter. The spot price of  $U_3O_8$  at the time of writing stood at US\$33.00 per pound. We expect to see continued strong interest in uranium and upward pressure on the spot price because of increasing demand coupled with restricted supply.

Nuinsco is well positioned to participate in these new developments and has taken steps to rapidly advance its Diabase Peninsula property, located in the prolific Athabasca Basin. A definitive agreement concerning Nuinsco's right to earn a 50% interest in the property was reached in September. Nuinsco has spent \$416,000 advancing the property. Work completed to date includes expanding the property to 18,660 ha, carrying out both ground and airborne geophysical surveys, and conducting a prospecting and sampling program to expand the earlier geochemical coverage. The earlier program identified sandstones that had been affected by hydrothermal fluids consistent with those associated with uranium mineralization. This work has allowed Nuinsco to identify drill targets and drilling is planned to commence in the fourth quarter.

Copper and gold prices were also strong during the period. Nuinsco advanced its Berta copper-gold project, which is under option from Falconbridge. A drilling program was commenced at the Berta property in late July and is the last part of Nuinsco's earn-in to 50 % of the property. The Berta property is a large copper - gold porphyry system located in the prolifically mineralized Pontite Mountains metallogenic belt. The program is targeting widespread copper and gold anomalies identified in earlier soil and rock sampling programs and geological mapping. The drill program is continuing and will be completed in the fourth quarter.

A scoping study to assess the potential for open pit and underground mining at the Minago deposit was carried out during the quarter. Preliminary engineering work indicates that a combination of open pit and underground bulk mining has the best potential for advancing the project. Optimization of the preliminary evaluation is currently underway.

Nuinsco continued its efforts to sell non-core and idle assets during the third quarter of 2005. The sale of the surface rights to the Rowan Lake property was completed during the quarter. The company retained the mineral rights. The company also optioned its diamond rights to the Prairie Lake claim group to Ripple Lake Diamonds Inc. Nuinsco retains the rights to explore for all other mineral commodities at Prairie Lake. Marketing of the Cameron Lake property continued during the quarter.

Brian E. Robertson, P.Eng.  
President  
Toronto, Canada  
November 11, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Three Month and Nine Month Periods Ended September 30, 2005**

*This Management Discussion and Analysis is dated November 11, 2005 and reflects the three-month and nine-month periods ended September 30, 2005 and should be read in conjunction with the interim consolidated financial statements dated March 31 and June 30, 2005, and the consolidated financial statements and the Management Discussion and Analysis included in the 2004 Annual Report. The Company also published an Annual Information Form. These documents along with others published by the Company are available on SEDAR at [www.sedar.com](http://www.sedar.com) or from the office of the Company.*

## **COMPANY OVERVIEW**

Nuinsco is a Canadian exploration stage mineral resource company engaged in the acquisition, exploration and development of precious and base metal properties. Property interests are located in northwestern Ontario, in northern Manitoba on the Thompson Nickel Belt, in Saskatchewan's Athabasca Basin known for uranium, in Quebec (Lac Rocher-nickel) and in Turkey a copper-gold property joint ventured with Falconbridge Limited. In 2004, the Company sold the Rainy River property for cash payments, a royalty and shares of a new public company.



The Company does not have sufficient funds to cover future corporate and administrative activities, its accounts payable and its planned exploration. Plans are underway to obtain additional financing.

### RESULTS OF OPERATIONS

For the three months ended September 30, 2005, the Company had a loss of \$1,064,000 or \$ 0.01 per share compared to a loss of \$705,000 or \$0.01 in the same period of 2004. During the current period \$333,000 of the loss was from the issuance of options to Directors and Officers of the Company and \$536,000 of the loss was from the write down of the Timmins property.

General and administrative expenses were \$195,000 during the third quarter of 2005 compared to \$141,000 for the same period in 2004. This reflects increased activities related to reviewing new projects, legal costs on financing transactions and general corporate activities.

For the nine-month period ended September 30, 2005, the Company incurred a loss of \$1,212,000 or \$0.01 per share compared with a loss of \$1,326,000 or \$0.02 per share in the same period of 2004. The loss for the nine months of 2005 includes the write down of the Prairie Lake project amounting to \$325,000, the write down of the Timmins project for \$536,000, expensing the fair market value of \$333,000 for the options granted in the third quarter of 2005 and the recovery from the shares received on the Rainy River Property of \$549,000. The Company also recognized income tax recoveries amounting to \$211,000 in 2005 and \$1,182,000 in 2004 relating to the renouncing of Canadian Exploration Expenses to the investors of flow-through financings. General and administrative expenses were \$728,000 for the first nine months of 2005 compared to \$533,000 for the same period in 2004. This reflects increased activities related to reviewing new projects, legal costs on financing transactions and general corporate activities. Other expenses in the 2004 period include a charge of \$873,000 for the fair value attributed to stock options granted and the write down of \$1,072,000 of the Lac Rocher Property.

### SUMMARY OF QUARTERLY RESULTS

Selected financial information for the eight quarters ended September 30, 2005 .

<u>Fiscal year 2005</u>		<u>3<sup>rd</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u>
Revenue		\$ 2,000	\$ 2,000	\$ -
Profit/(Loss)		\$ (1,064,000)	\$ 247,000	\$ (395,000)
Profit/(Loss) per share --basic and fully diluted		\$ (0.01)	\$ -	\$ -
<u>Fiscal year 2004</u>	<u>4<sup>th</sup> Quarter</u>	<u>3<sup>rd</sup> Quarter</u>	<u>2<sup>nd</sup> Quarter</u>	<u>1<sup>st</sup> Quarter</u>
Revenue	\$ -	\$ 1,000	\$ 6,000	\$ 11,000
Profit/(Loss)	\$ (7,380,000)	\$ (705,000)	\$ (765,000)	\$ 144,000
Profit/(Loss) per share --basic and fully diluted	\$ (0.09)	\$ (0.01)	\$ (0.01)	\$ -
<u>Fiscal year 2003</u>	<u>4<sup>th</sup> Quarter</u>			
Revenue	\$ 9,000			
Loss	\$ (3,041,000)			
Loss per share --basic and fully diluted	\$ (0.05)			

### EXPLORATION AND DEVELOPMENT ACTIVITIES

For the nine-month period ended September 30, 2005, the Company incurred exploration expenditures of \$2,244,000 on mineral interests compared to \$2,241,000 in the same period of 2004. The majority of expenditures in 2005 were made on the Minago, Mel, Berta and Diabase properties. Complete details of the mineral properties can be reviewed in the 2004 Annual Report.

#### Diabase Peninsula

An airborne EM (MegaTem) survey, flown by Fugro Surveys, was conducted in August. This survey covered the entire property at 300m-line spacing. Final results are still pending, but preliminary interpretation shows that the strong, persistent, conductive, electromagnetic anomaly identified from the winter ground TEM survey continuously extends beneath the entire length of the property -- some 35km in all. The significance of these conductive trends is that they are believed to be graphite-bearing structures that are considered to be important controls on uranium deposition and hence are useful exploration guides and targets. The extended response enhances the exploration potential of the property by substantially increasing the scale of the uranium-prospective target.

A prospecting crew was also active on the property in July and August. A total of 271 samples were collected from boulders and outcrops on the grid established over the central claim of the "original project" claim block. This work was conducted to extend geochemical sampling beyond that of the historical surveys, which identified anomalous alteration and clay mineralization associated with ground geophysical anomalies. The program identified new geochemical anomalies that are coincident with electromagnetic conductors and together support drill targets. The geochemical signatures identified are typical of alteration products occurring near unconformity uranium mineralization elsewhere in the Athabaska basin. Additional ground geophysics and geochemical sampling are being carried out at the property as a follow up to the program. The results of the geophysical and geochemical surveys will be used to select high priority drill targets for a drill program that is scheduled to commence before year-end.

The option agreement with Trend Mining Co., to earn a 50% interest and establish a joint venture on the Diabase uranium property was completed during the third quarter ended September 30, 2005.

#### **Berta – Turkey**

Fieldwork commenced in mid-April with additional soil sampling on two areas associated with anomalous copper and gold values from the 2004 sampling. The sampling was completed late in April and analytical results are consistent with those obtained from previous sampling. Permitting for diamond drilling was completed by June. A diamond drill was mobilized to the property mid-July. A site visit was conducted to Berta during the second week of September.

To date, three drill holes have been completed, totaling 761m. A fourth hole is currently underway. Drilling will target the Cu-anomalies identified across the central domain of the Berta mineralized system and the northern (or Tosunlar) Au-anomaly. At the current rate of production, drilling will continue to near the end of October.

The rock intersected to date displays ubiquitous and locally intense silicification and sericitisation that is directly related to fracture density. The relatively abundant sulphide mineralization (at 3-5%) is also strongly related to the fractures. Overwhelmingly, pyrite is the dominant sulphide species, however chalcopyrite, sphalerite and possible tetrahedrite and chalcocite have been noted. In examining the core produced to date chalcopyrite was commonly, but not abundantly, observed. Core from the diamond drilling program has been sent for assaying and results are pending. Results from the drilling will be used to develop the next phase of the exploration program.

#### **Minago**

The scoping study to evaluate the bulk mining potential of the Minago deposit in view of higher nickel prices and advances in mining and processing technology continued during the third quarter. Engineering work was carried out by Wardrop and metallurgical test work by PRA of Vancouver. The analysis determined that a combination of open pit and underground bulk mining has the best potential for advancing the project. Optimisation of the preliminary evaluation is currently underway.

#### **Muriel Lake**

As a follow-up to the UTEM survey (conducted in December 2004 that identified two linear, conductive, responses) a modest prospecting program was conducted during the summer in preparation for contemplated backhoe trenching. The area is scheduled for logging early in fourth quarter of 2005, which will also be useful in exposing outcrop. The region is known to host copper-zinc bearing, sulphide showings, several of which are on strike from the UTEM anomalies.

#### **Prairie Lake**

During the third quarter of 2005. The property was optioned to Ripple Lake Minerals for diamond potential only (rights to all other potential commodities are retained by Nuinsco).

#### **Timmins Joint Venture**

Nuinsco and Wallbridge have now completed the required expenditures necessary to become vested in the project. Proposed future work under the JV (geophysics and diamond drilling) will not begin until the fourth quarter of 2005. Whilst an interesting project geologically, with potential for exploration success on both copper-zinc and nickel targets, the Company believes that its exploration budget should be dedicated to other projects in its portfolio. For these reasons the Company has decided to write off the expenditures incurred to date on this property. Nuinsco will retain an interest in the various projects that comprise the Timmins JV subject to dilution resulting from any ongoing exploration conducted by the JV partners. Following formal notification of the program and costs Nuinsco will determine what level of participation is appropriate.

### **Cameron Lake**

Efforts to sell the Cameron Lake property continued during the quarter with discussions being held with interested parties. Interest in the property has increased, prompted in part by higher gold prices.

### **LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2005, the Company had a working capital position of \$1,883,000 compared to \$1,480,000 at December 31, 2004. This includes \$94,000 of prepaid exploration expenditures that were advanced to properties under exploration but not spent as of September 30, 2005 as well as the \$549,000 in marketable securities received on the sale of the Rainy River property in December 2004 (see note 5 of the financial statements).

Cash and cash for exploration expenditures decreased during the nine-month period ended September 30, 2005 by \$618,000 to \$380,000. Of the decrease, \$2,047,000 was spent on exploration and \$926,000 was used for operating activities. During the period, cash was received in the amount of \$500,000 from the long-term receivable for the sale of the Rainy River property and \$1,855,000 from two private placements.

During the balance of 2005, the Company will require approximately \$250,000 to fund its anticipated corporate expenditures, an additional \$608,000 for planned Canadian Exploration Expenditures and \$125,000 for planned non-Canadian exploration expenditures. These amounts are expected to be funded from the \$500,000 from receipts on the Rainy River Property, possible sale of the Cameron Lake property as well as additional flow through and non flow-through financings.

### **OUTSTANDING SHARE DATA**

At November 11, 2005, the Company had 94,979,726 common shares issued and outstanding. In addition, there were 12,675,000 stock options outstanding, 1,052,632 shares reserved for conversion of the convertible debt, and 10,261,091 warrants and compensation units issued and outstanding which if exercised would bring the fully diluted issued common shares to a total of 118,968,449.

### **RISKS AND UNCERTAINTIES**

#### **Exploration and Development Risks**

The business of exploring for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, none of the Company's properties have a known body of commercial ore. The mineral resource estimates made public by the Company are not mineral reserves and have not demonstrated economic viability. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation.

The capitalized expenditures related to the exploration and development of mineral properties will be amortized over the estimated economic life of a property once commercial production commences. If the value of a property is impaired or abandoned the related project cost balances would be written off.

#### **Financing Risks**

The Company has limited financial resources, has no operating cash flow and has no assurance that sufficient funding will be available to it for corporate and administration expenses, for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require additional financing for corporate and administration expenses and for exploration and development if ongoing exploration of its properties is warranted.

#### **Environmental Matters**

All phases of the Company's operations are subject to environmental regulations in the jurisdiction in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are presently unknown to the Company and which have been caused by previous or existing owners or operators of the properties or by illegal mining activities.

Government approvals and permits are sometimes required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be delayed or prohibited from proceeding with planned exploration or development of mineral properties.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in development of new mining properties.

## **FORWARD LOOKING STATEMENTS**

These consolidated financial statements and management's discussion and analysis contain certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

November 11, 2005